

# Entrepreneurship

## Unit 2.1: Analyzing a business's customers (KEY)

Student: \_\_\_\_\_

Date: \_\_\_\_\_

Period: \_\_\_\_\_

### 1. Why must I prepare a “Market Analysis” on my business?

- Presents research findings about target markets.
- Includes a target market profile that explains the traits of the company's potential customers.
- Provides potential investors with a realistic forecast of the growth potential for the market in which your company will operate.

### 2. What is a Target Market?

*A particular group of customers of interest to an entrepreneur.*

### 3. What is Market Segmentation?

*Process of grouping a market into smaller subgroups defined by specific characteristics.*

### 4. Four types of market segmentation:

1. Geographics: *The study of the market based on where customers live by region, state, city, and/or area.*
2. Demographics: *The personal characteristics of a population: age, gender, family size, income, occupation, family life cycle, education, religion, race, nationality, or social class.*
3. Psychographics: *The study of consumers based on social and psychological characteristics: personality, values, opinions, beliefs, motivations, attitudes, and lifestyle elements, including activities and interests.*
4. Buying Characteristics: *Knowledge of and personal experiences with the actual goods or services.*

### 5. Guidelines to Segment the Target Market:

- *Measurable*
- *Large enough to be profitable*
- *Reachable*
- *Responsive (People are interested in the product)*

**6. Create a market segment profile for a 3-on-3 Basketball Tournament to take place at the local mall.**

Profile: Answers will vary. Should include something from each target segment; demographics, psychographics, geographics, and buying characteristics (e.g., Male, Ages 16-25, athletic and enjoys basketball, from the local community, has participated in recreational league, school, or camps for basketball.)

**7. Three Types of Market Research**

1. Exploratory Research: *Used when little is known about a subject. (Check with industry and government publications, or use focus groups.)*
2. Descriptive Research: *Develop a customer profile. Learn the age, gender, occupation, income, and buying habits of potential customers. (Can use questionnaires, interviews, or observation.)*
3. Historical Research: *Studying the past to learn why a type of business has been successful or unsuccessful. (Can use trade association or trade publications.)*

**8. What is Primary Data?**

*Research collected for the first time and relates directly to the collector's study.*

**9. How do I collect primary data?**

- Observation
- Surveys
- Focus groups
- Interviews—in person, by phone, thru mail
- Observe buyers at competitor's site

**10. What is Secondary Data?**

*Information collected by someone else for their own purpose.*

**11. Where do I find Secondary Data?**

- Internet
- Website of U.S. Census Bureau
- Trade associations
- Commercial research agencies
- Government & community organizations
- Chamber of Commerce
- Trade publications

**12. Five Steps of Market Research**

**Step 1: Identify your Information Needs**

What data needs to be collected?

What methods of analysis will be used?

How will the data be used?

You must gather information about the competition.

## Five Steps of Market Research

### Step 2: Obtain Secondary Resources (Using Secondary Research)

- What are the demographics of the customer?
- What are the psychographics of the customer?
- How large is the market?
- Is the market growing?
- Is the market affected by geography?
- How can you reach your market?
- How do your competitors reach the market?
- What market strategies have been successful with these customers?

## Five Steps of Market Research

### Step 3: Collect Primary Data

- What are the demographics of your customer?
- Would potential customers purchase your product or service? Why or why not?
- How much would customers purchase?
- When would customers purchase?
- Who would customers like to find the product or service?
- What do customers like about your competitors' products and services?

## Five Steps of Market Research

### Step 4: Organize the Data

Categorize data based on the research question it answers. Working on each question, note how many of your sources supported a particular conclusion and how many did not. This data can help you refine your market analysis.

#### How may Data be Represented?

- *Bar Graphs*
- *Pie Charts*
- *Line Graphs*

## Five Steps of Market Research

### Step Five: Analyze the Data

*Now that your information has been organized, ask yourself these questions:*

- Is there a market for the product or service?
- How big is the market?
- Will the industry support such a business?
- What do substitute products/service reveal about demand for the product/service?
- What do customers, end users, and intermediaries predict the demand will be?